

# **TRANSPORTATION INNOVATIVE PARTNERSHIPS UPDATE**

## **BRIEFING PAPER**

Prepared for the  
June 2005 Transportation Commission Meeting

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### **PURPOSE:**

To update the Commission on the Transportation Innovative Partnerships Program (the state's public-private partnerships program) including recent statutory changes, review examples of key developments throughout the country, and begin discussions about rule development including timelines.

### **ACTION/OUTCOME:**

- The Transportation Commission will be informed about the Transportation Innovative Partnerships Program and the Commission's responsibilities under the new statute.
- A preliminary plan of action for rule-making will be established.

### **BACKGROUND:**

The Public-Private Initiatives Act (RCW 47.46), established in 1993, authorized the Secretary of Transportation to select up to six demonstration projects to develop "privately funded transportation systems and facilities or segments through the use of innovative agreements with the private sector." Of six projects originally identified by the Department of Transportation for development, the only project that has been undertaken is the Tacoma Narrows Bridge project. In June of 1999, the WSDOT entered into an agreement with United Infrastructure Washington, Inc. (UIW) to finance, develop, and operate the Tacoma Narrows Bridge project.

The PPI program was substantially altered during the 2005 legislative session, with the passage of SHB 1541. This bill, sponsored by Rep. Ed Murray, phases out RCW 47.46 to coincide with the completion of the Tacoma Narrows Bridge. With the Governor's of enactment of SHB 1541, the Transportation Innovative Partnerships Program was established.

### **DISCUSSION:**

#### **What is a "public-private partnership?"**

The term "public-private partnership" could encompass a variety of approaches to transportation project development. Many tools now being explored under the "PPI"

rubric are not, in fact, especially innovative in Washington State (they are already being done here), and are not development, or a PPI process for us to be able to continue to use. These mechanisms include Design-Build and A+B incentive contracting, and Program Management/Construction Management.<sup>1</sup>

Meanwhile in programs advertised around the country as “PPI,” there has been little evidence of private sector equity financing, some private “up-front” investment financing has been provide in a few projects and current PPP projects around the country today typically include some form of debt-financing, backed by toll revenues.

PPI projects can involve new ways to bring non-toll public revenue to the project. The most successful project is the E-470 project in Colorado. That project combines toll financing with local tax sources. The Virginia 288 project is also being financed with a combination of tolls and property tax based financing from two counties.

### **Examples of public-private partnerships around the nation:**

Across the country there are a number of flagship programs and projects. Although the projects vary widely in approach and scope, one common element in virtually all is the use of tolls to finance some, or all, of the project.

**The Tacoma Narrows Bridge Project** is often thought of as Washington’s flagship public private partnership. Although the project was developed under the state’s PPI program, in fact the Design-Build approach to the project could have been accomplished without the PPI statutes in place since the project uses state financing.

**Oregon** is among a handful of states leading the charge in the development of their PPP program. Washington’s new Transportation Innovative Partnerships program statute was designed to closely align with Oregon’s laws to allow greater flexibility and collaboration in the Columbia River Crossing project. ODOT has taken a very measured and thoughtful approach to developing the structure around their Innovative Partnerships program and its work will provide a sound template for Washington to build its program from.

In January, 2005, the Oregon Transportation Commission approved a list of projects for ODOT solicitation of private sector involvement under the Oregon Innovative Partnerships Program. Included on this list are the following projects. The first three highway projects are contained in the an RFP issued by ODOT in April. (A map of these proposed projects is attached.)

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<sup>1</sup> Design-Build, A+B Incentive Contracting, and Program Management/Construction Management are some of the alternative delivery methods used as an alternative to the traditional, low-bid approach of Design-Bid-Build. Typically these alternative methods allow contractor teams to be brought onto a project much earlier than Design-Bid-Build, and allows the team to participate in both the design and construction phases.

- **The Sunrise Project.** Construction of a new 4-lane, limited access roadway facility to SE 172nd (segment 1) and additional transportation infrastructure to serve the newly incorporated city of Damascus (segment 2).
- **South I-205 Corridor Improvements.** Widening of this major north-south freight and commuter route in the Portland metropolitan region.
- **Newberg-Dundee.** This project is an identified alternative corridor (bypass) that is approximately 11 miles long, starting at the east end of Newberg and ending near Dayton at the junction with OR 18.

In addition to these three projects, the Transportation Commission also approved:

- **Maintenance Facilities (Statewide).** The “highest and best use” of many ODOT maintenance facility properties may be privately developed endeavors. Opportunities may exist to exchange development rights on these valuable state owned properties for alternative, “turn-key” facilities that will better meet ODOT’s needs.

Our studies have raised doubts whether “outsourcing” of the operation and maintenance of facilities is a cost-effective model, and would recommend against using PPP for long-term maintenance and operation of existing facilities, especially outside the competitive outsourcing model of the Personnel Services Reform Act.

- **Rivergate Railroad Bottleneck.** This bottleneck on the critical Portland rail corridor may require several modernization fixes. Potential projects include: (1) improving running times in selected corridors, (2) increasing capacity at chokepoints, (3) adding yard tracks, and (4) installing grade separations that reduce vehicular delay at key locations.

**Colorado E-470** project is perhaps the most interesting project truly advancing in a public-private mode. The E-470 Beltway is a 47 mile long, four-lane roadway that extends from I-25 at C-470 south of the Denver Tech Center (I-25 South) around the east side of Metropolitan Denver and connects back into I-25 north of Denver at approximately 157th Avenue (I-25 North). In 1987, the state of Colorado passed the enabling statute that permitted the city of Aurora along with Douglas, Arapahoe, and Adams Counties to form an authority through an intergovernmental agreement. The jurisdictions established the E-470 Public Highway Authority to finance, build, and operate the highway, and entered into a design/build construction contract with a wholly owned subsidiary of the Morrison Knudsen Corporation, Platte River Constructors. In addition to assuming the risks of a fixed-price construction contract, Platte River also contributed \$16 million in return for second-tier subordinate bonds (bonds on which interest is paid only after more senior bondholders are satisfied).

**The Dulles Greenway** is a 14-mile toll road in Virginia between VA-28 near the entrance of Washington Dulles International Airport and US 15 in Leesburg. The toll road and the land on which it is built are owned by TRIP-II, a company owned by local investors. In the Greenway’s early years, traffic was well below projections, leading to a

financial restructuring. But recently traffic has increased to such an extent that the Greenway is being widened.

**Georgia's** State Board of Transportation has delayed moving ahead with a project to turn **GA 316** into a tollway, to allow the Georgia Legislature to modify the PPP laws, and to better gauge public support for project. The current proposal would use at least \$800 million in private bonds to transform the 39 miles between I-85 and Athens into a freeway-quality toll road. The Parkway Group, a consortium of contractors, have stated no public money will be used to build the project or to back the bonds used to pay for it, but others involved in the project have questioned whether this will hold true.

**Transportation Innovative Partnerships Program Rules and Guidelines will be prepared for, and reviewed, by the Transportation Commission**

Under the new Transportation Innovative Partnerships Program, the department is responsible for drafting WAC rules, providing technical support for the program, and evaluating proposals and negotiating contracts. The Commission, with the technical support of the department, is responsible for rule-making; receiving, reviewing, and approving proposals; and oversight of contract execution.

The Commission must submit preliminary rules and guidelines to the legislative transportation committees by November 30, 2005, and final rules and guidelines must be submitted to the full legislature during the 2006 session for review.

Additional Notes:

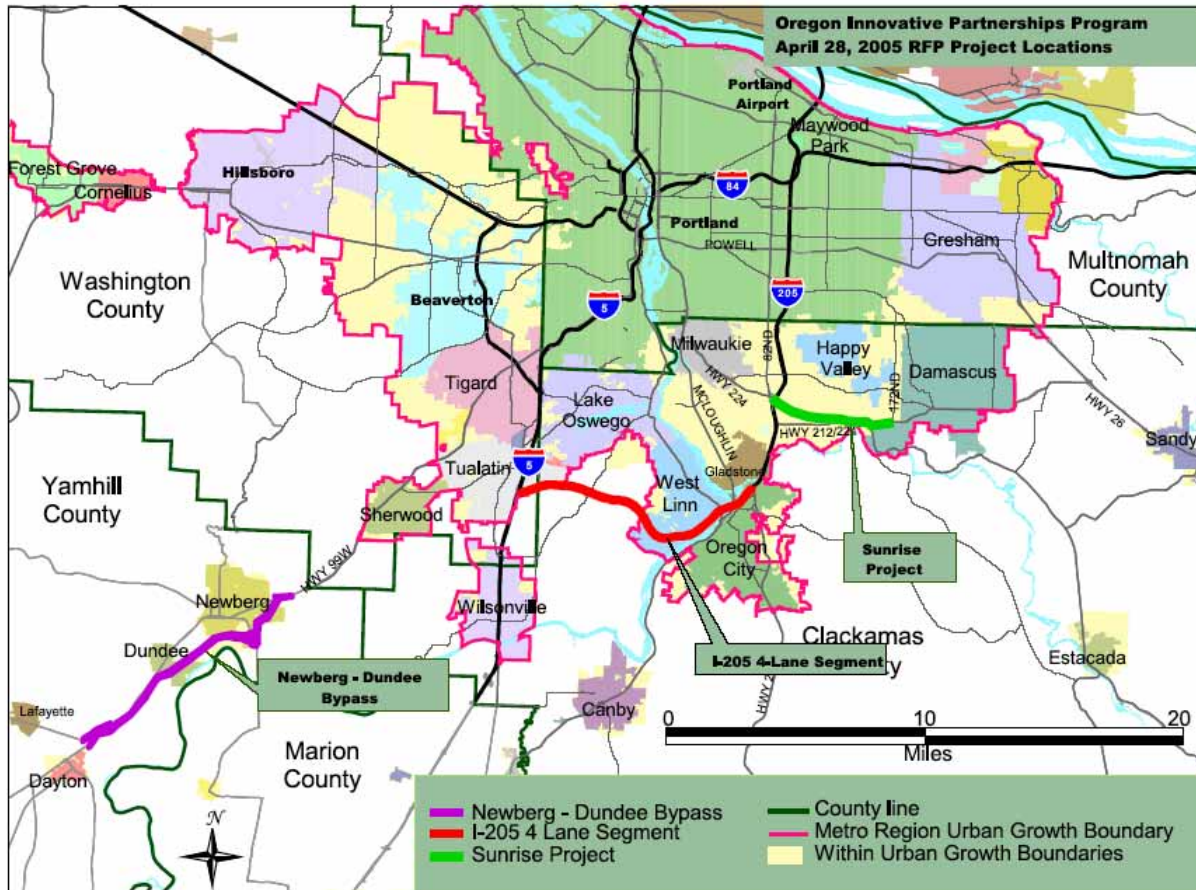
No funding was provided for these activities in the 2005-2007 budget. WSDOT will support the rule-making activities through existing resources.

**RECOMMENDATION:**

N/A

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## Oregon's Innovative Partnerships proposed projects



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